

## Internal Revenue Service

Number: **200727001**

Release Date: 7/6/2007

Index Number: 368.01-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B03

PLR-103692-07

Date:

March 27, 2007

Acquiring =

Disregarded Entity =

Target =

Partnership =

Subsidiary 1 =

Subsidiary 2 =

Subsidiary 3 =

Subsidiary 4 =

State A	=
Country B	=
Country C	=
Country D	=
Business Y	=
Date 1	=
aa	=
bb	=
cc	=
dd	=
ee	=

Dear

We respond to your request dated January 17, 2007, for rulings on the Federal income tax consequences of completed and proposed transactions. Additional information was received on March 13, 2007 and March 27, 2007. The material information submitted for consideration is summarized below.

Acquiring, a publicly traded and widely held State A corporation, is the common parent of an affiliated group of corporations filing a consolidated return. Acquiring is engaged in Business Y.

Disregarded Entity is a State A limited liability company wholly owned by Acquiring. Disregarded Entity has elected to be disregarded as an entity separate from its owner for Federal income tax purposes.

Target is a State A corporation. All of the issued and outstanding stock of Target is owned by Disregarded Entity. Target's assets include an interest of aa percent in Partnership, a State A limited liability company that is treated as a partnership for Federal income tax purposes. Partnership is engaged in Business Y.

Subsidiary 1 is a Country B limited partnership that has elected to be treated as a corporation for Federal income tax purposes. On Date 1, after the merger described in step (i) below, Acquiring owned bb percent (at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation) of Subsidiary 1. Subsidiary 1 owns an interest of cc percent in Partnership.

Subsidiary 2 is a Country C limited company that has elected to be treated as a corporation for Federal income tax purposes. All of the issued and outstanding stock of Subsidiary 2 is owned by Subsidiary 1.

Subsidiary 3 is a Country D limited company that has elected to be treated as a corporation for Federal income tax purposes. All of the issued and outstanding stock of Subsidiary 3 is owned by Subsidiary 2.

Subsidiary 4 is a Country D limited company that has elected to be treated as a corporation for Federal income tax purposes. All of the issued and outstanding stock of Subsidiary 4 is owned by Subsidiary 3. Subsidiary 4 owns an interest of dd percent in Partnership.

Acquiring desires to simplify its ownership structure, integrate its foreign operations, and reduce expenses (the “Business Purposes”) and has entered into or proposes to enter into the following transactions:

- (i) Target merged with and into Disregarded Entity under State A law on Date 1 (the “Merger”).
- (ii) Disregarded Entity will transfer the aa percent interest in Partnership formerly owned by Target to Subsidiary 1 in exchange for additional Subsidiary 1 interests.
- (iii) Subsidiary 1 will transfer the aa percent interest in Partnership received in the exchange with Disregarded Entity and its cc percent interest in Partnership to Subsidiary 2 in constructive exchange for additional stock of Subsidiary 2.
- (iv) Subsidiary 2 will transfer the aa percent and the cc percent interests in Partnership to Subsidiary 3 in constructive exchange for additional stock of Subsidiary 3.
- (v) Subsidiary 3 will transfer the aa percent and the cc percent interests in Partnership to Subsidiary 4 in constructive exchange for additional stock

of Subsidiary 4. After the exchange, Subsidiary 4 will own an ee percent interest in Partnership.

The following representations have been made in connection with the transactions:

- (a) Acquiring has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the Merger, except for (i) dispositions made in the ordinary course of business; and (ii) the transfer of the aa percent interest in Partnership to Subsidiary 1.
- (b) All of the proprietary interest in Target will be preserved (within the meaning of §1.368-1(e)(1)(i) and (ii) of the Income Tax Regulations).
- (c) The liabilities of Target assumed (as determined under §357(d) of the Internal Revenue Code) by Acquiring were incurred by Target in the ordinary course of its business.
- (d) Acquiring will continue the historical business of Target or use a significant portion of the Target historical business assets in a business as required and defined in §1.368-1(d).
- (e) Acquiring and Target will pay their respective expenses, if any, incurred in connection with the Merger.
- (f) No intercorporate indebtedness existed between Acquiring and Target that was issued, acquired, or settled at a discount.
- (g) No two parties to the Merger are investment companies as defined in §368(a)(2)(F)(iii) and (iv).
- (h) The Merger was carried out to achieve the Business Purposes.
- (i) Target was not under the jurisdiction of a court in a title 11 or similar case within the meaning of §368(a)(3)(A).
- (j) The total fair market value of the assets transferred to Acquiring by Target exceeded the sum of: (a) the amount of liabilities assumed (as determined under § 357(d)) by Acquiring in connection with the exchange; (b) the amount of liabilities owed to Acquiring by Target that were discharged or extinguished in connection with the exchange; and (c) the amount of any money and the fair market value of any other property (other than stock permitted to be received under §361 without the recognition of gain) received by Target in connection with the exchange. The fair market

value of the assets of Acquiring exceeded the amount of its liabilities immediately after the exchange.

- (k) Acquiring will file a gain recognition agreement with respect to the contribution of the Partnership interest from Disregarded Entity to Subsidiary 1, pursuant to §1.367(a)-3(d)(2).
- (l) Acquiring will treat any intangible property deemed owned by Acquiring by reason of owning an interest in Partnership as a transfer of such intangible property to Subsidiary 1 and treat such transfer pursuant to the rules of §§367(d) and 1.367(d)-1T.
- (m) As of the time immediately before the Merger, none of the property to be transferred in the Merger (including the Target stock) was the subject of an intercompany transaction (within the meaning of §1.1502-13(b)) and none of the stock of Target was the subject of an excess loss account (within the meaning of §1.1502-19).

Based solely on the information submitted and the representations set forth above, we rule as follows:

- (1) Provided that the Merger of Target into Disregarded Entity qualifies as a statutory merger in accordance with applicable state law, the Merger of Target into Disregarded Entity will qualify as a reorganization under §368(a)(1)(A) and will not be disqualified by reason of the fact that part of Target's assets (i.e., the interest in Partnership) acquired in the transaction is successively transferred to one or more corporations controlled in each transfer by the transferor corporation (§§368(a)(1)(A), (a)(2)(C), 1.368-2(k)(1) and Rev. Rul. 69-617, 1969-2 C.B. 57). Target and Acquiring are each a "party to a reorganization" (§§ 368(b) and 1.368-2(f)).
- (2) Target will recognize no gain or loss upon the transfer of all of its assets to Disregarded Entity (§§357(a), 361(a), and 361(c)).
- (3) Acquiring will recognize no gain or loss upon the Merger of Target into Disregarded Entity (§§354(a) and 1032(a)).
- (4) The basis of each of Target's assets in the hands of Acquiring immediately after the Merger, in each instance, will be the same as the basis of those assets in the hands of Target immediately prior to the Merger (§362(b)).
- (5) The holding period of the assets of Target in the hands of Acquiring, in each instance, will include the period during which such assets were held by Target immediately prior to the Merger (§1223(2)).

- (6) Acquiring will succeed to and take into account the items of Target as described in §381(c). These items will be taken into account by Acquiring subject to the applicable conditions and limitations specified in §§381, 382, 383, and 384 and the regulations thereunder.
- (7) Acquiring will succeed to and take into account the earnings and profits or deficit in earnings and profits of Target as of the date of the Merger. Any deficit in earnings and profits will be used only to offset earnings and profits accumulated after the date of the Merger (§§381(c)(2)(A), 1.381(c)(2)-1, and 1.312-11(a)).

No opinion is expressed about the tax treatment of the proposed transaction under other provisions of the Code or regulations, including §367, or the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed as to whether any of Acquiring's assets are intangible property within the meaning of §936(h)(3)(B) and the treatment of any intangibles under §§936(h)(6) or 367(d).

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Pursuant to a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

---

Filiz A. Serbes  
Chief, Branch 3  
Office of the Associate Chief Counsel (Corporate)